

20 MAR 1948

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*ARMY

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GENERAL

1. UK official believes Arabs may distrust trusteeship proposal--
An official of the British Foreign Office has informed US Embassy London that he fears those Arabs "who have shown themselves in principle ready to talk trusteeship" will interpret the expression of President Truman's personal faith in the partition of Palestine as an indication that the US is maneuvering via trusteeship to obtain partition as a settlement of the Palestine issue.
2. US to withdraw trade concessions to Czechoslovakia--The Department of State has advised its representatives in countries which have signed the General Agreement on Tariffs and Trade that the US intends to seek immediate withdrawal of the tariff concessions which are made to Czechoslovakia under the terms of that agreement. The Department believes that the new Czechoslovak regime will not honor its obligations under the agreement and that the tariff concessions involved will benefit only Czechoslovakia.
3. US urged to bolster CEEC--US Ambassador Caffery in Paris reports that, despite encouraging progress on Committee of European Economic Cooperation (CEECE) organization, US observers have grave doubts that effective European economic integration can be achieved without prompt US action. These observers suggest that the US: (a) formally state its intention to place major responsibility for programming European aid requirements upon the CEECE, thus counteracting the tendency toward bilateral negotiations with the US; (b) urge strongly that specialized cooperative efforts, like the customs union study group and the multilateral clearing arrangement, be brought fully under the CEECE; (c) request the UK to reconsider its present reluctant approach toward full economic cooperation; and (d) instruct the US-UK occupation authorities in Germany to participate more fully in CEECE activities.

State Dept. review
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EUROPE

4. **GREECE: US approves proposed increase in Greek Army.** The Departments of State and Army have approved AMAG's proposal that the overall strength of the Greek Army be temporarily increased by 15,000.

Government promises prompt repeal of anti-strike law. Prime Minister Sophoulis and Foreign Minister Tsaldaris have jointly informed US Charge Rankin and AMAG Chief Griswold that the Greek Government plans to repeal the anti-strike law while the National Labor Congress is still in session.

(CIA Comment: Although the drastic anti-strike law which makes strikers liable to the death penalty has never been invoked since its adoption in December 1947, it has been criticized by the US press and US labor circles as being undemocratic. Its repeal should reduce this criticism and encourage greater US popular sympathy for the Greek regime.)

5. **AUSTRIA: Modification in Socialist position on treaty.** Austrian Socialist Party Leader Schaerf has informed the US Legation in Vienna that the Socialists desire a treaty now only under conditions which: (a) guarantee full sovereignty and independence of Austria within its 1937 frontiers; (b) enable Austria to defend these frontiers; and (c) provide a sound basis for economic existence. The Legation points out that Schaerf's present view represents only a slight shift from his previous position. Schaerf now places increased emphasis on the vulnerability of the international zone in Vienna, and he expresses a fear that the Communists may be enabled to overthrow the Austrian Government by the inadequate armament of the Vienna police and the necessity for unanimity among the occupying powers before the Allied powers can intervene. Both US Minister Erhardt and Commanding General Keyes believe, however, that in the event of an attempted Communist coup, US forces would be required by the terms of their directive to protect the Austrian Government.

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(CIA Comment: Schaerf's insistence upon specific conditions for a treaty is designed primarily to strengthen the Socialist position in the event of a breakdown in the treaty negotiations.)

FAR EAST

6. **CHINA: Reinforcement of Manchuria incorrectly reported.** US Consul General Mukden describes as incorrect: (a) a recent news broadcast stating that a relief caravan had reached Mukden; and (b) press reports that "heavy trained reinforcements" for Manchuria had reached Chinchow (125 miles southwest of Mukden). The Consul General adds that "Mukden continues isolated from intramural China" and that "the reinforcements consist of recruits with little or no training."
7. **KOREA: Defense preparations north of 38th parallel.** General Hodge believes that the current defense preparations immediately north of the 38th parallel are designed to create war hysteria among North Koreans in order to justify the expansion and maintenance of the (North) Korean People's Army and to prepare the people psychologically in the event that an attack on South Korea is ordered by the Kremlin.

(CIA Comment: CIA concurs with General Hodge's estimate.)

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